

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2014

# WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

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WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Officials  
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Steve Young	Board President	2013
Joyce Stimpson	Board Member	2013
Lenny Sanders	Board Member	2015
Michelle Randall	Board Member	2015
Larisa Conner	Board Member	2015

<b>(After September 2013 Election)</b>		
Michelle Randall	Board President	2015
Lenny Sanders	Board Member	2015
Larisa Conner	Board Member	2015
Nate Prickett	Board Member	2017
Jay Day	Board Member	2017

<b>School Officials</b>		
David Schmitt	Superintendent	2014
Tina Diewold	District Secretary/Treasurer	Indefinite
Toby Gordon	Attorney	Indefinite
Schulte, Hahn, Swanson, Engler & Gordon Law Firm		

# Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education  
West Burlington Independent School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Burlington Independent School District, West Burlington, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Burlington Independent School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Burlington Independent School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 18, 2015 on my consideration of West Burlington Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Burlington Independent School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 18, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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West Burlington Independent School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,480,439 in fiscal 2013 to \$7,909,373 in fiscal 2014, and General Fund expenditures increased from \$7,149,472 in fiscal 2013 to \$7,462,045 in fiscal 2014. The District's General Fund balance increased from \$918,724 in fiscal 2013 to \$1,366,052 in fiscal 2014, a 49% increase.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2014. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the increase in negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2014.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of West Burlington Independent School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Burlington Independent School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Burlington Independent School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the

year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**West Burlington Independent School District Annual Financial Report**

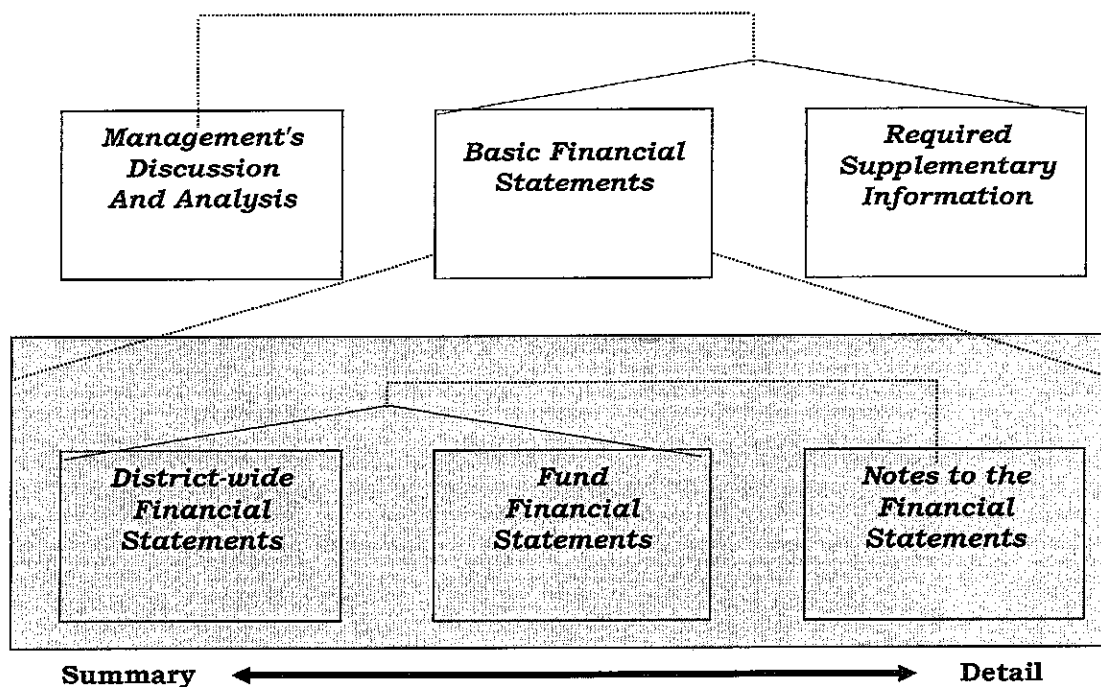


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary fund:* Services for which the District charges a fee are generally reported in a proprietary fund. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business type activity, but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary fund include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

3) *Fiduciary fund*: The District is a trustee, or fiduciary, for assets that belong to others. These funds consist of a Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - The District acts as an agent for individuals, private organizations or other governments.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

### Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 6,446,810	\$ 5,319,416	\$ 55,664	\$ 67,346	\$ 6,502,474	\$ 5,386,762	20.71%
Capital assets	<u>8,784,709</u>	<u>9,137,038</u>	<u>38,553</u>	<u>36,320</u>	<u>8,823,262</u>	<u>9,173,358</u>	-3.82%
Total assets	<u>15,231,519</u>	<u>14,456,454</u>	<u>94,217</u>	<u>103,666</u>	<u>15,325,736</u>	<u>14,560,120</u>	5.26%
Long-term liabilities	5,108,085	5,181,833	-	-	5,108,085	5,181,833	-1.42%
Other liabilities	<u>1,216,112</u>	<u>1,231,057</u>	<u>25,076</u>	<u>25,089</u>	<u>1,241,188</u>	<u>1,256,146</u>	-1.19%
Total liabilities	<u>6,324,197</u>	<u>6,412,890</u>	<u>25,076</u>	<u>25,089</u>	<u>6,349,273</u>	<u>6,437,979</u>	-1.38%
Deferred inflows of resources	<u>2,450,884</u>	<u>2,299,454</u>	-	-	<u>2,450,884</u>	<u>2,299,454</u>	6.59%
Net position							
Net investment in							
capital assets	4,278,018	4,278,018	38,553	36,320	4,316,571	4,314,338	0.05%
Restricted	1,555,519	841,415	-	-	1,555,519	841,415	84.87%
Unrestricted	<u>622,901</u>	<u>624,677</u>	<u>30,588</u>	<u>42,257</u>	<u>653,489</u>	<u>666,934</u>	2.02%
Total net position	<u>\$ 6,456,438</u>	<u>\$ 5,744,110</u>	<u>\$ 69,141</u>	<u>\$ 78,577</u>	<u>\$ 6,525,579</u>	<u>\$ 5,822,687</u>	12.07%

The District's combined net position increased by approximately 12%, or \$702,892, over the prior year. The largest portion of the District's net position is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$714,104, or approximately 85% over the prior year. The district refunded the multi-purpose room bond and the revenue was recorded at the end of FY14, thus increasing the restricted net position.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$13,445, or approximately 2%. This decrease in unrestricted net assets was a result of the District spending less in General Fund in 2014.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues							
Program revenues							
Charges for service	\$ 2,846,499	\$ 2,788,506	\$ 155,157	\$ 139,696	\$ 3,001,656	\$ 2,928,202	2.51%
Operating grants	1,074,026	1,018,324	247,590	234,666	1,321,616	1,252,990	5.48%
General revenues							
Property tax	2,399,831	2,271,211	-	-	2,399,831	2,271,211	5.66%
Statewide sales, services and use tax	419,901	397,368	-	-	419,901	397,368	5.67%
Unrestricted state grants	2,464,821	2,295,189	-	-	2,464,821	2,295,189	7.39%
Contributions and donations	36,443	97,847	-	-	36,443	97,847	-62.76%
Unrestricted investment earnings	371	318	9	16	380	334	13.77%
Other	<u>3,537</u>	<u>991</u>	<u>-</u>	<u>-</u>	<u>3,537</u>	<u>991</u>	256.91%
Total revenues	<u>9,245,429</u>	<u>8,869,754</u>	<u>402,756</u>	<u>374,378</u>	<u>9,648,185</u>	<u>9,244,132</u>	4.37%
Program expenses							
Governmental activities							
Instruction	5,323,738	4,968,487	-	-	5,323,738	4,968,487	7.15%
Support services	2,520,710	2,436,244	-	-	2,520,710	2,436,244	3.47%
Non-instructional programs	-	-	412,192	439,236	412,192	439,236	-6.16%
Other expenses	<u>688,653</u>	<u>709,105</u>	<u>-</u>	<u>-</u>	<u>688,653</u>	<u>709,105</u>	-2.88%
Total expenses	<u>8,533,101</u>	<u>8,113,836</u>	<u>412,192</u>	<u>439,236</u>	<u>8,945,293</u>	<u>8,553,072</u>	4.59%
Change in net position	712,328	755,918	(9,436)	(64,858)	702,892	691,060	1.71%
Net position beginning of year	<u>5,744,110</u>	<u>4,988,192</u>	<u>78,577</u>	<u>143,435</u>	<u>5,822,687</u>	<u>5,131,627</u>	13.47%
Net position end of year	<u>\$ 6,456,438</u>	<u>\$ 5,744,110</u>	<u>\$ 69,141</u>	<u>\$ 78,577</u>	<u>\$ 6,525,579</u>	<u>\$ 5,822,687</u>	12.07%

In fiscal 2014, property tax and unrestricted state grants account for 53% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$9,648,185 of which \$9,245,429 was for governmental activities and \$402,756 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of approximately 4% in revenues and a 5% increase in expenses. Unrestricted state grants increased \$169,632 and property tax increased \$128,620 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

### Governmental Activities

Revenues for governmental activities were \$9,245,429 and expenses were \$8,533,101 for the year ended June 30, 2014. The District's revenue increased more than the expenditures due to an increase in property taxes and open enrollment, which helped fund the increase in expenditures.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 5,323,738	\$ 4,968,487	7.2%	\$ 1,623,393	\$ 1,341,862	21.0%
Support services	2,520,710	2,436,244	3.5%	2,493,111	2,432,029	2.5%
Non-instructional programs	-	-	0.0%	-	-	0.0%
Other expenses	<u>688,653</u>	<u>709,105</u>	-2.9%	<u>496,072</u>	<u>533,115</u>	-6.9%
Total expenses	<u>\$ 8,533,101</u>	<u>\$ 8,113,836</u>	5.2%	<u>\$ 4,612,576</u>	<u>\$ 4,307,006</u>	7.1%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$2,846,499.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,074,026.
- The net cost of governmental activities was financed with \$2,819,732 in property and other taxes and \$2,464,821 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$402,756 representing an 8% increase over the prior year and expenses were \$412,192, a 7% decrease from the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District instituted a closed campus lunch policy, resulting in an increase of students eating hot lunch at school and increasing lunch prices.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, West Burlington Independent School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,863,991, well above last year's ending fund balances of \$1,854,753. This was due to the District spending revenue from the 2013 issuance of statewide sales, services and use tax bonds during the 2014 year.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of decreasing the expenses to fall under the available revenues.
- The General Fund balance increased from \$918,724 to \$1,366,052, due in part to a slight increase in property taxes and open enrollment, as well as keeping the expenditures under the available resources.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance increased from \$667,045 in 2013 to \$1,302,955 in 2014 due to the refunding of the multi-purpose room bond and the revenue being received/recorded at the end of FY14.

### **Proprietary Fund Highlights**

Enterprise Fund net position decreased from \$78,577 at June 30, 2013 to \$69,141 at June 30, 2014, representing a decrease of approximately 12%. Due to the closed campus for lunch, there has been a significant increase in the number of students buying lunch, which resulted in more revenue. However, expenses increased more than revenues due to nutrition requirements and need for equipment.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, West Burlington Independent School District amended its annual budget one time to reflect additional expenditures associated with increased labor and technology costs and costs associated with the facility improvement.

The District's revenues were \$163,394 more than budgeted revenues, a variance of approximately 2%. The most significant variance resulted from the District receiving more in state aid and open enrollment revenue than originally anticipated.

Total expenditures were \$437,095 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$8,823,262, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$582,722.

The original cost of the District's capital assets was \$16,834,115. Governmental funds account for \$16,731,763, with the remainder of \$102,352 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment category totaled \$1,122,904 at June 30, 2014, compared to \$1,282,339 reported at June 30, 2013. This decrease resulted due to the fact that there weren't any major projects during FY14 thus not as much furniture and equipment was needed.

Figure A-6

#### Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Land	\$ 117,000	\$ 117,000	\$ -	\$ -	\$ 117,000	\$ 117,000	0.00%
Buildings and improvements	7,151,654	7,348,351	-	-	7,151,654	7,348,351	-2.68%
Improvements, other than buildings	431,704	425,668	-	-	431,704	425,668	1.42%
Furniture and equipment	<u>1,084,351</u>	<u>1,246,019</u>	<u>38,553</u>	<u>36,320</u>	<u>1,122,904</u>	<u>1,282,339</u>	-12.43%
Totals	<u>\$8,784,709</u>	<u>\$9,137,038</u>	<u>\$38,553</u>	<u>\$36,320</u>	<u>\$8,823,262</u>	<u>\$9,173,358</u>	-3.82%

### Long-Term Debt

At June 30, 2014, the District had \$5,108,085 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 1% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7.8 million.

In June 2014, the District refunded/refinanced \$605,000 of revenue bond anticipation bonds from the construction of a multi-purpose room.

Figure A-7

	Outstanding Long-term Obligations		
	Total	Total	
	District	Change	
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
General obligation bonds	\$ 205,000	\$ 580,000	-64.66%
Revenue bonds	3,670,000	3,195,000	14.87%
Revenue anticipation notes	658,000	733,000	-10.23%
Capital leases	180,210	351,020	-48.66%
Termination benefits	177,616	163,458	8.66%
Net OPEB liability	<u>217,259</u>	<u>159,355</u>	36.34%
Total	<u>\$ 5,108,085</u>	<u>\$ 5,181,833</u>	-1.42%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of some existing circumstances that could significantly affect its financial health in the future:

- Because of the number of West Burlington special education students open enrolled or tuitioned out, the district may see a significant increase in the special education expenses in FY15.
- Because of the larger numbers in kindergarten - third grade, additional staff may be needed in order to keep those classes in 4 sections to keep the classroom size smaller.
- Due to increased technology needs for the 1-1 initiative, the district may see more expenses in order to keep up with the needs for new technology.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tina Diewold, District Secretary/Treasurer and Business Manager, West Burlington Independent School District, 607 Ramsey, West Burlington, Iowa, 52655.

## Basic Financial Statements

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2014

Exhibit A

<b>Assets</b>	Governmental Activities	Business Type Activities	Total
Cash, cash equivalents and pooled investments			
Cash with fiscal agent	\$ 472,300	\$ -	\$ 472,300
Other	2,617,334	52,882	2,670,216
Receivables			
Property tax			
Delinquent	11,454	-	11,454
Succeeding year	2,450,884	-	2,450,884
Accounts receivable	1,891	-	1,891
Due from other governments	892,947	-	892,947
Inventories	-	2,782	2,782
Non-depreciable capital assets	117,000	-	117,000
Capital assets, net of accumulated depreciation	8,667,709	38,553	8,706,262
Total assets	<u>15,231,519</u>	<u>94,217</u>	<u>15,325,736</u>
 <b>Liabilities</b>			
Accounts payable	123,751	85	123,836
Salaries and benefits payable	1,008,184	24,991	1,033,175
Advances from grantors			
Accrued interest payable	84,177	-	84,177
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	205,000	-	205,000
Revenue bonds payable	135,000	-	135,000
Revenue anticipation notes payable	75,000	-	75,000
Capital leases payable	171,800	-	171,800
Termination benefits payable	41,406	-	41,406
Portion due after one year			
Revenue bonds payable	3,535,000	-	3,535,000
Revenue anticipation notes payable	583,000		
Capital leases payable	8,410	-	8,410
Termination benefits payable	136,210	-	136,210
Net OPEB liability	217,259	-	217,259
Total liabilities	<u>6,324,197</u>	<u>25,076</u>	<u>5,766,273</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	<u>2,450,884</u>	<u>-</u>	<u>2,450,884</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2014

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 4,278,018	\$ 38,553	\$4,316,571
Restricted for			
Categorical funding	57,580	-	57,580
Management levy	48,408	-	48,408
Physical plant and equipment	14,707	-	14,707
Debt service	14,347	-	14,347
Student activities	73,315	-	73,315
School infrastructure	1,347,162	-	1,347,162
Unrestricted	622,901	30,588	653,489
Total net position	<u>\$ 6,456,438</u>	<u>\$ 69,141</u>	<u>\$6,525,579</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2014

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>	<u>Activities</u>
<u>Governmental activities</u>						
Instruction						
Regular instruction	\$ 3,514,934	\$ 2,373,527	\$ 769,268	\$ -	\$ (372,139)	\$ (372,139)
Special instruction	794,686	272,237	73,187	-	(449,262)	(449,262)
Other instruction	1,014,118	200,735	11,391	-	(801,992)	(801,992)
	<u>5,323,738</u>	<u>2,846,499</u>	<u>853,846</u>	<u>-</u>	<u>(1,623,393)</u>	<u>(1,623,393)</u>
Support services						
Student	194,637	-	-	-	(194,637)	(194,637)
Instructional staff	520,232	-	170	-	(520,062)	(520,062)
Administration	822,244	-	-	-	(822,244)	(822,244)
Operation and maintenance of plant	800,504	-	24,589	-	(775,915)	(775,915)
Transportation	183,093	-	2,840	-	(180,253)	(180,253)
	<u>2,520,710</u>	<u>-</u>	<u>27,599</u>	<u>-</u>	<u>(2,493,111)</u>	<u>(2,493,111)</u>
Other expenses						
Facilities acquisition	13,910	-	-	-	(13,910)	(13,910)
Long-term debt interest	175,463	-	-	-	(175,463)	(175,463)
AEA flowthrough	192,581	-	192,581	-	-	-
Depreciation (unallocated) *	306,699	-	-	-	(306,699)	(306,699)
	<u>688,653</u>	<u>-</u>	<u>192,581</u>	<u>-</u>	<u>(496,072)</u>	<u>(496,072)</u>
Total governmental activities	<u>8,533,101</u>	<u>2,846,499</u>	<u>1,074,026</u>	<u>-</u>	<u>(4,612,576)</u>	<u>(4,612,576)</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2014

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
<u>Functions/Programs (continued)</u>					
Business type activities					
Non-instructional programs					
Food service operations	Charges for Services				
	Expenses				
	\$ 412,192	\$ 155,157	\$ 247,590	\$ -	\$ (9,445)
Total	\$ 8,945,293	\$ 3,001,656	\$ 1,321,616	(4,612,576)	(9,445)
					(4,622,021)
<u>General Revenues</u>					
Property tax levied for					
General purposes					
Debt service					
Capital outlay					
Statewide sales, services and use tax					
Unrestricted state grants					
Contributions and donations					
Unrestricted investment earnings					
Other					
Total general revenues					
Change in net position					
Net position beginning of year					
Net position end of year					
	1,864,011	-	-	-	1,864,011
	380,380	-	-	-	380,380
	155,440	-	-	-	155,440
	419,901	-	-	-	419,901
	2,464,821	-	-	-	2,464,821
	36,443	-	-	-	36,443
	371	9	-	9	380
	3,537	-	-	-	3,537
	5,324,904	9	-	9	5,324,913
	712,328	(9,436)	-	(9,436)	702,892
	5,744,110	78,577	-	78,577	5,822,687
	\$ 6,456,438	\$ 69,141	-	\$ 69,141	\$ 6,525,579

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

## WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash, cash equivalents and pooled investments				
Cash with fiscal agent	\$ -	\$ 472,300	\$ -	\$ 472,300
Other	1,657,442	764,097	195,795	2,617,334
Receivables				
Property tax				
Delinquent	7,564	-	3,890	11,454
Succeeding year	1,894,347	-	556,537	2,450,884
Accounts receivable	1,698	-	193	1,891
Due from other governments	826,389	66,558	-	892,947
Total assets	<u>\$4,387,440</u>	<u>\$1,302,955</u>	<u>\$756,415</u>	<u>\$6,446,810</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 118,857	\$ -	\$ 4,894	\$ 123,751
Salaries and benefits payable	1,008,184	-	-	1,008,184
Total liabilities	<u>1,127,041</u>	<u>-</u>	<u>4,894</u>	<u>1,131,935</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	1,894,347	-	556,537	2,450,884
Fund balances				
Restricted for				
Categorical funding	57,580	-	-	57,580
School infrastructure	-	1,302,955	44,207	1,347,162
Student activities	-	-	73,315	73,315
Management levy purposes	-	-	48,408	48,408
Physical plant and equipment	-	-	14,707	14,707
Debt service	-	-	14,347	14,347
Unassigned	1,308,472	-	-	1,308,472
Total fund balances	<u>1,366,052</u>	<u>1,302,955</u>	<u>194,984</u>	<u>2,863,991</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$4,387,440</u>	<u>\$1,302,955</u>	<u>\$756,415</u>	<u>\$6,446,810</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2014

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$2,863,991</b>
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,784,709
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(84,177)
Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,108,085)</u>
<b>Net position of governmental activities</b>	<b><u>\$6,456,438</u></b>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

Exhibit E

		Capital Projects		
		Statewide	Nonmajor	
		Sales, Services	Governmental	
	General	and Use Tax	Funds	Total
Revenues				
Local sources				
Local tax	\$1,702,656	\$ -	\$ 696,091	\$ 2,398,747
Tuition	2,571,394	-	-	2,571,394
Other	109,054	15,311	190,874	315,239
State sources	3,271,783	419,901	277	3,691,961
Federal sources	254,269	-	24,589	278,858
Total revenues	<u>7,909,156</u>	<u>435,212</u>	<u>911,831</u>	<u>9,256,199</u>
Expenditures				
Current				
Instruction				
Regular	3,421,339	-	35,635	3,456,974
Special	778,363	-	9,841	788,204
Other	830,187	-	175,660	1,005,847
	<u>5,029,889</u>	<u>-</u>	<u>221,136</u>	<u>5,251,025</u>
Support services				
Student	192,758	-	-	192,758
Instructional staff	359,457	-	27,592	387,049
Administration	807,185	-	14,404	821,589
Operation and maintenance of plant	661,360	-	129,276	790,636
Transportation	112,815	-	58,572	171,387
	<u>2,133,575</u>	<u>-</u>	<u>229,844</u>	<u>2,363,419</u>
Other expenditures				
Facilities acquisition	-	47,500	78,722	126,222
Long-term debt				
Principal	-	-	750,810	750,810
Interest and fiscal charges	-	-	168,121	168,121
AEA flowthrough	192,581	-	-	192,581
	<u>192,581</u>	<u>47,500</u>	<u>997,653</u>	<u>1,237,734</u>
Total expenditures	<u>7,356,045</u>	<u>47,500</u>	<u>1,448,633</u>	<u>8,852,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>553,111</u>	<u>387,712</u>	<u>(536,802)</u>	<u>404,021</u>
Other financing sources (uses)				
Sale of equipment and materials	217	-	-	217
Proceeds from issuance of bonds	-	605,000	-	605,000
Interfund operating transfers in	-	-	539,354	539,354
Interfund operating transfers (out)	(106,000)	(356,802)	(76,552)	(539,354)
Total other financing sources (uses)	<u>(105,783)</u>	<u>248,198</u>	<u>462,802</u>	<u>605,217</u>
Change in fund balances	447,328	635,910	(74,000)	1,009,238
Fund balance, beginning of year	918,724	667,045	268,984	1,854,753
Fund balance, end of year	<u>\$1,366,052</u>	<u>\$ 1,302,955</u>	<u>\$ 194,984</u>	<u>\$ 2,863,991</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2014

Exhibit F

**Change in fund balances - total governmental funds** \$1,009,238

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 221,864	
Depreciation expense	<u>(574,193)</u>	(352,329)

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (10,987)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments and issues are as follows:

Issued	(605,000)	
Repaid	<u>750,810</u>	145,810

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	(14,158)	
Other postemployment benefits	<u>(57,904)</u>	(72,062)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (7,342)

**Change in net position of governmental activities** \$ 712,328

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

Exhibit G

	Nonmajor Enterprise School Nutrition
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 52,882
Inventories	<u>2,782</u>
Total current assets	55,664
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>38,553</u>
Total assets	<u>94,217</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	85
Salaries and benefits payable	<u>24,991</u>
Total liabilities	<u>25,076</u>
<b>Net Position</b>	
Investment in capital assets	38,553
Unrestricted	<u>30,588</u>
Total net position	<u>\$ 69,141</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

Exhibit H

	Nonmajor Enterprise School Nutrition
Operating revenue	
Local sources	
Charges for service	<u>\$ 155,157</u>
Operating expenses	
Support services	
Operation and maintenance of plant	
Purchased services	<u>163</u>
Non-instructional programs	
Food service operations	
Salaries	143,859
Benefits	54,071
Purchased services	15,872
Supplies	180,836
Miscellaneous	8,862
Depreciation	<u>8,529</u>
	<u>412,029</u>
Total operating expenses	<u>412,192</u>
Operating loss	<u>(257,035)</u>
Non-operating revenues	
Interest income	9
State sources	3,741
Federal sources	<u>243,849</u>
Total non-operating revenues	<u>247,599</u>
Change in net position	(9,436)
Net position, beginning of year	<u>78,577</u>
Net position, end of year	<u>\$ 69,141</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2014

Exhibit I

	Nonmajor Enterprise School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 155,310
Cash payments to employees for services	(197,374)
Cash payments to suppliers for goods and services	(180,331)
Net cash used in operating activities	(222,395)
Cash flows from non-capital financing activities	
State grants received	3,741
Federal grants received	220,725
Net cash provided by non-capital financing activities	224,466
Cash flows from capital and related financing activities	
Acquisition of capital assets	(10,762)
Cash flows from investing activities	
Interest on investments	9
Net decrease in cash and cash equivalents	(8,682)
Cash and cash equivalents, beginning of year	61,564
Cash and cash equivalents, end of year	\$ 52,882
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$(257,035)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	8,529
Commodities used	23,124
Decrease in accounts receivable	153
Decrease in inventory	2,847
(Decrease) in accounts payable	(569)
Increase in accrued salaries and benefits	556
Net cash used in operating activities	\$(222,395)

**Non-cash investing, capital and related financing activities**

During the year ended June 30, 2014 the District received \$23,124 of federal commodities.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

Exhibit J

	Private Purpose Trust <u>Scholarships</u>	<u>Agency</u>
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 300	\$ 694
<b>Liabilities</b>		
Due to others	<u>-</u>	<u>694</u>
<b>Net position</b>		
Reserved for scholarships	<u>\$ 300</u>	<u>\$ -</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2014

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	\$ -
Deductions	<u>-</u>
Change in net position	-
Net position, beginning of year	<u>300</u>
Net position, end of year	<u>\$ 300</u>

See notes to financial statements.

# WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### **Note 1. Summary of Significant Accounting Policies**

The West Burlington Independent School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of West Burlington, Iowa, and the agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, West Burlington Independent School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The West Burlington Independent School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### **B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the School Nutrition enterprise fund, which is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds consist of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations or other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through

June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	\$ 1,000
Improvements other than buildings	\$ 1,000
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	7-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July, August and part of September have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2014. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Inflows of Resources- Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity - In the governmental fund financial statements, fund equity is classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$14,707 for physical plant and equipment, \$73,315 for student activities, \$48,408 for management levy purposes and \$1,347,162 for school infrastructure.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the other expenditures function exceeded the amount budgeted.

#### F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$83,570 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated AAAm by Standard & Poor's Financial Services.

## **Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
Non-major governmental		
Debt Service	General Fund	\$ 106,000
Debt Service	Statewide Sales, Services and Use Tax	356,802
	Nonmajor Capital Projects	
Debt Service	Physical Plant and Equipment Levy	<u>76,552</u>
		<u>\$ 539,354</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Statewide Sales, Services and Use Tax Fund, Physical Plant and Equipment Levy Fund and General Fund to Debt Service Fund were for principal and interest payments on long-term debt.

## **Note 4. Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 117,000	\$ -	\$ -	\$ 117,000
Capital assets being depreciated:				
Buildings and improvements	11,890,439	52,566	-	11,943,005
Improvements other than buildings	857,606	40,744	-	898,350
Furniture and equipment	3,644,854	128,554	-	3,773,408
Total capital assets being depreciated	16,392,899	221,864	-	16,614,763
Less accumulated depreciation for:				
Buildings and improvements	4,542,088	249,263	-	4,791,351
Improvements other than buildings	431,938	34,708	-	466,646
Furniture and equipment	2,398,835	290,222	-	2,689,057
Total accumulated depreciation	7,372,861	574,193	-	7,947,054
Total capital assets being depreciated, net	9,020,038	(352,329)	-	8,667,709
Governmental activities capital assets, net	<u>\$ 9,137,038</u>	<u>\$ (352,329)</u>	<u>\$ -</u>	<u>\$ 8,784,709</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 91,590	\$ 10,762	\$ -	\$ 102,352
Less accumulated depreciation	55,270	8,529	-	63,799
Business type activities capital assets, net	<u>\$ 36,320</u>	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ 38,553</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 60,632
Support services	
Instructional staff services	180,515
Administration	2,211
Operation and maintenance of plant	13,138
Transportation	10,998
	267,494
Unallocated depreciation	306,699
Total governmental activities depreciation expense	<u>\$ 574,193</u>

**Business type activities**

Food services	<u>\$ 8,529</u>
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## Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<u>Governmental activities</u>					
General obligation refunded bonds	\$ 580,000	\$ -	\$ (375,000)	\$ 205,000	\$ 205,000
Revenue bonds	3,195,000	605,000	(130,000)	3,670,000	135,000
Revenue bond anticipation notes	733,000	-	(75,000)	658,000	75,000
Capital leases	351,020	-	(170,810)	180,210	171,800
Termination benefits	163,458	49,332	(35,174)	177,616	41,406
Net OPEB liability	159,355	97,968	(40,064)	217,259	-
Totals	<u>\$ 5,181,833</u>	<u>\$ 752,300</u>	<u>\$ (826,048)</u>	<u>\$ 5,108,085</u>	<u>\$ 628,206</u>

Interest costs incurred and charged to expense on all long-term debt was \$175,463 for the year ended June 30, 2014.

### Refunded General Obligation Bonds

On March 15, 2012, the District issued \$955,000 of general obligation bonds to refund the general obligation bond issue of April 1, 2005. On May 1, 2012 the remaining balance of \$935,000 of the 2005 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the long-term debt of the District at June 30, 2014. This current refunding was undertaken to reduce total debt service payments over the next five years by \$37,169 and resulted in an economic gain of \$38,659.

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending	Bond Issue of March 15, 2012			
<u>June 30,</u>	<u>Interest %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	0.80%	\$ 205,000	\$ 1,640	\$ 206,640

### Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year	Bond issue of May 1, 2010			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2015	3.75%	\$ 135,000	\$ 130,923	\$ 265,923
2016	3.75%	140,000	125,767	265,767
2017	3.75%	145,000	120,424	265,424
2018	3.75%	150,000	114,893	264,893
2019	3.75%	155,000	109,174	264,174
2020-2024	4.0%-4.5%	875,000	443,980	1,318,980
2025-2029	4.6%-4.875%	1,080,000	226,712	1,306,712
2030	4.875%	385,000	12,675	397,675
Totals		<u>\$ 3,065,000</u>	<u>\$ 1,284,548</u>	<u>\$ 4,349,548</u>

Year	Bond issue of June 17, 2014			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2015		\$ -	\$ 10,596	\$ 10,596
2016	3.25%	25,000	19,256	44,256
2017	3.25%	35,000	18,281	53,281
2018	3.25%	35,000	17,144	52,144
2019	3.25%	35,000	16,006	51,006
2020-2024	3.25%	195,000	61,669	256,669
2025-2029	3.25%	230,000	27,137	257,137
2030	3.250%	50,000	813	50,813
Totals		<u>\$ 605,000</u>	<u>\$ 170,902</u>	<u>\$ 775,902</u>

Year	Total		
Ending			
June 30,	Principal	Interest	Total
2015	\$ 135,000	\$ 141,519	\$ 276,519
2016	165,000	145,023	310,023
2017	180,000	138,705	318,705
2018	185,000	132,037	317,037
2019	190,000	125,180	315,180
2020-2024	1,070,000	505,649	1,575,649
2025-2029	1,310,000	253,849	1,563,849
2030	435,000	13,488	448,488
Totals	<u>\$ 3,670,000</u>	<u>\$ 1,455,450</u>	<u>\$ 5,125,450</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,420,000 of bonds issued in May 2010. The bonds were issued to finance remodeling projects at the JH/HS building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds

are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70% of the statewide sales and services tax revenues. The District also issued \$605,000 of revenue refunding bonds on June 17, 2014. The proceeds were used to call and pay off \$583,000 of revenue anticipation notes on July 3, 2014. The 2014 issue has no bond resolution restrictions or provisions. The total principal and interest remaining to be paid on the bonds is \$5,125,450. For the current year, \$130,000 of principal and \$135,892 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$419,901.

The resolution providing for the issuance of the 2010 statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$270,572 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2014.

#### Revenue Bond Anticipation Notes

On July 3, 2012, the District issued \$733,000 of revenue bond anticipation notes for constructing a multi-purpose room. Details of the District's June 30, 2014 revenue bond anticipation notes indebtedness are as follows:

Year				
Ending	Interest			
<u>June 30.</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	2.00%	\$ 75,000	\$ 12,410	\$ 87,410
2016	2.00%	<u>583,000</u>	<u>5,830</u>	<u>588,830</u>
Totals		<u>\$ 658,000</u>	<u>\$ 18,240</u>	<u>\$ 676,240</u>

#### Capital Lease

On March 1, 2013, the District entered into a capital lease for the purchase of student computers. The District also entered into a capital lease on May 29, 2013 for the purchase of a vehicle. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

	Year Ending <u>June 30,</u>	Copier <u>Lease</u>	Vehicle <u>Lease</u>	<u>Total</u>
	2015	\$ 175,165	\$ 2,607	\$ 177,772
	2016	<u>-</u>	<u>9,068</u>	<u>9,068</u>
Minimum lease payments		175,165	11,675	186,840
Less amount representing interest		<u>5,972</u>	<u>658</u>	<u>6,630</u>
Present value of minimum lease payments		<u>\$ 169,193</u>	<u>\$ 11,017</u>	<u>\$ 180,210</u>

#### Termination Benefits

Sick leave days accrue at 10-15 days per year (depending upon an employee's status) to a maximum of 105 days. Upon retirement, after attaining age 59 with 10 years of service to the District and upon Board approval, an employee may receive a severance benefit based on a percentage of accumulated sick leave days, payable at the employee's per diem salary on the last day of employment, according to the following schedule:

<u># Years of Service</u>	<u>%</u>
10-14	20
15-19	30
20-24	40
25 or more	50

Individuals who elect early retirement but have not reached their 65<sup>th</sup> birthday are eligible to have the District continue to pay their insurance benefits through the month of their 65<sup>th</sup> birthday. Ten individuals are currently receiving this benefit. Termination benefit expenditures for the year ended June 30, 2014 totaled \$177,616.

#### **Note 6. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 5.95%, 5.78% and 5.38% of their annual covered salary and the District was required to contribute 8.93%, 8.67% and 8.07% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$418,980, \$385,698 and \$346,073, respectively, equal to the required contributions for each year.

## Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 68 active members and eight retired members in the plan. Participants must be age 58 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 95,976
Interest on net OPEB obligation	1,992
Adjustment to annual required contribution	<u>(6,363)</u>
Annual OPEB cost	91,605
Contributions made	<u>(33,701)</u>
Increase in net OPEB obligation	57,904
Net OPEB obligation beginning of year	<u>159,355</u>
Net OPEB obligation end of year	<u><u>\$ 217,259</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$33,701 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 93,973	61.2%	\$ 36,455
2011	\$ 93,244	61.7%	\$ 72,181
2012	\$ 94,315	54.9%	\$ 114,675
2013	\$ 119,975	62.8%	\$ 159,355
2014	\$ 91,605	36.8%	\$ 217,259

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$892,929, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$892,929. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.7 million and the ratio of UAAL to covered payroll was 18.9%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2011 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the District's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 1% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$192,581 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 10. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## **Note 11. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	
4-year old preschool state aid	\$ 23,771
Beginning teacher mentoring and induction program	2,956
Teacher salary supplement	16,200
Educator quality, professional development for model core curriculum	8,775
Educator quality, professional development	<u>5,878</u>
	<u>\$ 57,580</u>

## **Note 12. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## Required Supplementary Information

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 For the Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues</b>						
Local sources	\$ 5,285,380	\$ 155,166	\$ 5,440,546	\$ 5,651,818	\$ 5,651,818	\$ (211,272)
State sources	3,691,961	3,741	3,695,702	3,319,743	3,319,743	375,959
Federal sources	278,858	243,849	522,707	524,000	524,000	(1,293)
Total revenues	<u>9,256,199</u>	<u>402,756</u>	<u>9,658,955</u>	<u>9,495,561</u>	<u>9,495,561</u>	<u>163,394</u>
<b>Expenditures/Expenses</b>						
Instruction	5,251,025	-	5,251,025	5,273,000	5,423,000	171,975
Support services	2,363,419	163	2,363,582	2,349,600	2,549,600	186,018
Non-instructional programs	-	412,029	412,029	445,000	545,000	132,971
Other expenditures	1,237,734	-	1,237,734	941,700	1,183,865	(53,869)
Total expenditures/expenses	<u>8,852,178</u>	<u>412,192</u>	<u>9,264,370</u>	<u>9,009,300</u>	<u>9,701,465</u>	<u>437,095</u>
Excess (deficiency) of revenues over (under) expenditures	404,021	(9,436)	394,585	486,261	(205,904)	600,489
Net other financing sources	<u>605,217</u>	<u>-</u>	<u>605,217</u>	<u>-</u>	<u>-</u>	<u>605,217</u>
Change in fund balance	1,009,238	(9,436)	999,802	486,261	(205,904)	1,205,706
Balance, beginning of year	<u>1,854,753</u>	<u>78,577</u>	<u>1,933,330</u>	<u>1,230,959</u>	<u>1,230,959</u>	<u>702,371</u>
Balance, end of year	<u>\$ 2,863,991</u>	<u>\$ 69,141</u>	<u>\$ 2,933,132</u>	<u>\$ 1,717,220</u>	<u>\$ 1,025,055</u>	<u>\$ 1,908,077</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$692,165.

During the year ended June 30, 2014, expenditures in the other expenditures function exceeded the amount budgeted.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$810,631	\$810,631	\$ -	\$4,299,180	18.9%
2011	July 1, 2009	-	810,631	810,631	-	4,272,120	19.0%
2012	July 1, 2009	-	810,631	810,631	-	4,317,952	18.8%
2013	July 1, 2011	-	892,929	892,929	-	4,491,210	19.9%
2014	July 1, 2011	-	892,929	892,929	-	4,735,411	18.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Supplementary Information

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>			
	Student	Management	Physical	Building	Debt	
	<u>Activity</u>	<u>Levy</u>	Plant and <u>Equipment</u> <u>Levy</u>	<u>Project</u>	<u>Service</u>	<u>Total</u>
<b>Assets</b>						
Cash, cash equivalents and pooled investments	\$76,792	\$ 48,763	\$ 13,831	\$ 44,207	\$ 12,202	\$195,795
Receivables						
Property tax						
Delinquent	-	869	876	-	2,145	3,890
Succeeding year	-	197,000	152,397	-	207,140	556,537
Accounts receivable	193	-	-	-	-	193
Total assets	<u>\$76,985</u>	<u>\$246,632</u>	<u>\$167,104</u>	<u>\$ 44,207</u>	<u>\$221,487</u>	<u>\$756,415</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities						
Accounts payable	<u>\$ 3,670</u>	<u>\$ 1,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,894</u>
Deferred inflows of resources						
Unavailable revenue						
Succeeding year property tax	<u>-</u>	<u>197,000</u>	<u>152,397</u>	<u>-</u>	<u>207,140</u>	<u>556,537</u>
Fund balances						
Restricted for						
Student activities	73,315	-	-	-	-	73,315
Management levy purposes	-	48,408	-	-	-	48,408
School infrastructure	-	-	-	44,207	-	44,207
Physical plant and equipment	-	-	14,707	-	-	14,707
Debt service	-	-	-	-	14,347	14,347
Total fund balances	<u>73,315</u>	<u>48,408</u>	<u>14,707</u>	<u>44,207</u>	<u>14,347</u>	<u>194,984</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$76,985</u>	<u>\$246,632</u>	<u>\$167,104</u>	<u>\$ 44,207</u>	<u>\$221,487</u>	<u>\$756,415</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>			
	<u>Student</u>	<u>Management</u>	<u>Physical</u>	<u>Building</u>	<u>Debt</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Plant and</u>	<u>Project</u>	<u>Service</u>	<u>Total</u>
			<u>Equipment</u>			
			<u>Levy</u>			
Revenues						
Local sources						
Local taxes	\$ -	\$ 160,462	\$ 155,385	\$ -	\$ 380,244	\$ 696,091
Other	187,587	3,285	-	2	-	190,874
State sources	-	86	55	-	136	277
Federal sources	-	-	24,589	-	-	24,589
Total revenues	<u>187,587</u>	<u>163,833</u>	<u>180,029</u>	<u>2</u>	<u>380,380</u>	<u>911,831</u>
Expenditures						
Current						
Instruction						
Regular	-	35,635	-	-	-	35,635
Special	-	9,841	-	-	-	9,841
Other	169,567	6,093	-	-	-	175,660
Total instruction	<u>169,567</u>	<u>51,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,136</u>
Support services						
Instructional staff	-	-	27,592	-	-	27,592
Administration	-	14,404	-	-	-	14,404
Operation and maintenance of plant	-	129,276	-	-	-	129,276
Transportation	-	8,572	50,000	-	-	58,572
Total support services	<u>-</u>	<u>152,252</u>	<u>77,592</u>	<u>-</u>	<u>-</u>	<u>229,844</u>
Other expenditures						
Facilities acquisition	-	-	70,268	8,454	-	78,722
Long-term debt						
Principal	-	-	-	-	750,810	750,810
Interest and fiscal charges	-	-	-	-	168,121	168,121
Total other expenditures	<u>-</u>	<u>-</u>	<u>70,268</u>	<u>8,454</u>	<u>918,931</u>	<u>997,653</u>
Total expenditures	<u>169,567</u>	<u>203,821</u>	<u>147,860</u>	<u>8,454</u>	<u>918,931</u>	<u>1,448,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,020</u>	<u>(39,988)</u>	<u>32,169</u>	<u>(8,452)</u>	<u>(538,551)</u>	<u>(536,802)</u>
Other financing sources (uses)						
Interfund operating transfers in	-	-	-	-	539,354	539,354
Interfund operating transfers (out)	-	-	(76,552)	-	-	(76,552)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(76,552)</u>	<u>-</u>	<u>539,354</u>	<u>462,802</u>
Change in fund balances	18,020	(39,988)	(44,383)	(8,452)	803	(74,000)
Fund balances, beginning of year	55,295	88,396	59,090	52,659	13,544	268,984
Fund balances, end of year	<u>\$ 73,315</u>	<u>\$ 48,408</u>	<u>\$ 14,707</u>	<u>\$ 44,207</u>	<u>\$ 14,347</u>	<u>\$ 194,984</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2014

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Athletics	\$ 15,219	\$ 80,913	\$ 58,269	\$ (968)	\$ 36,895
Art club	(339)	644	78	64	291
Future Homemakers of America	(55)	4,436	4,247	-	134
Octagon	429	-	-	-	429
National Honor Society	593	-	-	-	593
Pep club	30	2,264	2,370	-	(76)
Lego League	-	1,000	267	-	733
SADD	314	-	-	(314)	-
High school science club	1,104	410	549	-	965
Middle school science club	205	-	-	(205)	-
Spanish club	63	377	341	-	99
Speech	704	-	-	(704)	-
Post prom	901	10,051	9,803	-	1,149
Student council	(173)	3,183	3,075	-	(65)
Elementary student council	212	-	-	(212)	-
Middle school student council	148	402	26	-	524
Academic club	(12)	12	-	-	-
Class of:					
Alumni	452	-	-	(452)	-
2010	582	-	-	(582)	-
2011	207	-	-	(207)	-
2012	(859)	-	-	859	-
2013	226	-	-	(226)	-
2014	747	1,510	2,448	367	176
2015	119	4,235	4,572	366	148
2016	-	-	-	434	434
2017	-	-	-	367	367
Pop machines	(1,126)	-	-	1,126	-
Book fair	-	9,828	9,828	-	-
Fundraising - Carter	(881)	-	-	881	-
Fundraising - Housel	1,965	-	245	(1,720)	-
Fundraising - Hoenig	113	57,282	41,704	(15,691)	-
Art/Science Club Trip	129	-	-	(129)	-
Jump Rope for Heart	248	-	-	(248)	-
Author	88	-	-	(88)	-
MS Soar	3,543	548	1,278	715	3,528

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2014

Schedule 3

Account (continued)	Balance, Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance, End of Year
Account					
HS Soar	\$ (110)	\$ 401	\$ 1,092	\$ 803	\$ 2
Shelman	938	-	-	(938)	-
Schropp	3,453	-	15,010	11,557	-
Therapy Dog	5	100	274	169	-
Yearbook	3,023	3,235	8,100	5,786	3,944
Drama	5,249	3,536	2,237	-	6,548
Interest	4,266	16	-	-	4,282
Dance team	371	1,991	1,358	-	1,004
Cheerleaders	240	110	73	-	277
Middle school cheerleaders	4	84	-	-	88
Elementary account	5,620	1,019	2,323	2,829	7,145
Character counts	1,320	-	-	(1,320)	-
Music trip	6,020	-	-	-	6,020
Student activities	-	-	-	(2,319)	(2,319)
Totals	<u>\$ 55,295</u>	<u>\$ 187,587</u>	<u>\$ 169,567</u>	<u>\$ -</u>	<u>\$ 73,315</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

Schedule 4

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	Modified Accrual Basis									
<b>Revenues</b>										
Local sources										
Local tax	\$ 2,398,747	\$ 2,667,793	\$ 2,669,132	\$ 2,614,057	\$ 2,535,460	\$ 2,553,376	\$ 2,461,557	\$ 2,412,175	\$ 2,244,519	\$ 2,197,021
Tuition	2,571,394	2,435,750	2,236,917	2,123,906	2,090,440	1,794,053	1,605,075	1,418,905	1,297,548	1,275,143
Other	315,239	377,597	435,941	319,554	498,012	435,846	394,122	326,539	347,559	295,197
Intermediate sources	-	-	-	-	1	-	-	-	-	4,500
State sources	3,691,961	3,043,775	2,735,310	2,542,637	2,244,535	2,676,779	2,633,996	2,366,979	2,271,340	2,063,795
Federal sources	278,858	299,588	310,682	380,973	460,827	240,577	162,137	182,704	160,616	175,141
<b>Total revenues</b>	<b>\$ 9,256,199</b>	<b>\$ 8,824,503</b>	<b>\$ 8,387,982</b>	<b>\$ 7,981,127</b>	<b>\$ 7,829,275</b>	<b>\$ 7,700,631</b>	<b>\$ 7,256,887</b>	<b>\$ 6,707,302</b>	<b>\$ 6,321,582</b>	<b>\$ 6,010,797</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$ 3,456,974	\$ 3,261,895	\$ 3,143,303	\$ 3,013,408	\$ 2,791,487	\$ 2,699,571	\$ 2,508,997	\$ 2,273,662	\$ 2,768,537	\$ 2,438,568
Special	788,204	808,665	945,966	985,242	948,095	949,735	776,639	759,787	522,793	676,180
Other	1,005,847	1,029,907	971,592	1,020,150	1,015,525	935,805	841,645	800,026	396,889	514,212
Support services										
Student	192,758	191,883	187,187	183,538	191,640	179,507	191,030	168,435	157,763	154,606
Instructional staff	387,049	913,424	390,268	387,114	272,461	250,350	277,027	322,784	255,231	146,940
Administration	821,589	802,247	715,492	715,839	667,944	677,463	642,081	599,558	543,696	492,185
Operation and maintenance of plant	790,636	757,423	740,562	643,286	825,359	657,586	679,517	585,857	540,321	525,017
Transportation	171,387	102,799	92,725	70,352	72,295	98,518	77,710	68,197	100,591	89,423
Central support services	-	-	-	-	-	-	-	-	-	-
Other expenditures										
Facilities acquisition	126,222	786,433	791,361	2,276,659	537,957	197,661	152,946	166,826	225,816	435,007
Long-term debt										
Principal	750,810	668,917	1,396,500	351,500	310,000	560,000	596,101	573,899	3,240,000	635,780
Interest and other charges	168,121	182,946	216,690	163,805	148,898	95,301	114,788	132,888	292,279	242,611
AEA flowthrough	192,581	175,990	162,907	179,847	178,872	166,586	163,009	150,708	143,295	132,340
<b>Total expenditures</b>	<b>\$ 8,852,178</b>	<b>\$ 9,682,529</b>	<b>\$ 9,754,553</b>	<b>\$ 9,990,740</b>	<b>\$ 7,960,533</b>	<b>\$ 7,468,083</b>	<b>\$ 7,021,490</b>	<b>\$ 6,602,627</b>	<b>\$ 9,187,211</b>	<b>\$ 6,482,869</b>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2014

Schedule 5

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 694	\$ -	\$ -	\$ 694
 <b>Liabilities</b>				
Due to others	\$ 694	\$ -	\$ -	\$ 694

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of  
West Burlington Independent School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Burlington Independent School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 18, 2015.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered West Burlington Independent School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Burlington Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of West Burlington Independent School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Burlington Independent School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

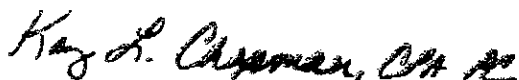
#### West Burlington Independent School District's Responses to Findings

West Burlington Independent School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. West Burlington Independent School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of West Burlington Independent School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
March 18, 2015

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

**Part I. Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES**

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Material Misstatement not Detected - During the course of my audit, I discovered some material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The amount reported in the long-term debt account was understated by \$100,000 and the capital assets account was understated by \$221,864 due to additions and depreciation for the year ended June 30, 2014 not being recorded.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amount budgeted in other expenditures function.

Recommendation - The certified budget was amended but not sufficiently to cover expenditures. The certified budget should have been sufficiently amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended to sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, it was noted that the minutes from the November board meeting were not made available to the publisher timely in compliance with Chapter 279.35 of the Code of Iowa.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

Recommendation - The Code of Iowa requires that the District make available to the publisher the proceedings of all regular or special meetings, within two weeks of the adjournment of such meeting. I recommend that the District ensure that all minutes are made available to the publisher in compliance with the Code of Iowa.

Response - This was an inadvertent oversight. In the future, we will make all minutes available to the publisher within two weeks of the meeting in compliance with the Code of Iowa.

Conclusion - Response accepted.

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education; however, there were some material misstatements as detailed in comment B in Part I of this Schedule of Findings.

Recommendation - The District should ensure that all reports contain accurate information in the future.

Response - We will ensure that future CARs contain correct information when it is filed with the Iowa Department of Education.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

(CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 667,045
Revenues		
Statewide sales and services tax revenue	\$ 419,901	
Proceeds of revenue debt	605,000	
Other local revenues	<u>15,311</u>	1,040,212
Expenditures/transfers out		
School infrastructure		
Equipment	\$ 47,500	
Debt service for school infrastructure		
Revenue debt	<u>356,802</u>	<u>404,302</u>
Ending balance		<u>\$ 1,302,955</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Images of Checks - The District receives their cancelled checks from the bank as photo images, showing only the front of the checks. Chapter 554D.114 of the Code of Iowa requires both the front and back of check images be retained.

Recommendation - The District should contact the bank to rectify this situation so that they receive photo images of both front and back of each check.

Response - We will contact the bank to resolve this matter.

Conclusion - Response accepted.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT  
Audit Staff  
June 30, 2014

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant